of the United States. It is contemplated that these checks and warrants shall be paid when presented to national bank depositaries, or at the Treasury or subtreasuries. Under this plan, it will be observed, only the excess of receipts over disbursements—should there be an excess—will find its way into the subtreasuries, and that it will therefore be unnecessary for the government to obtain currency except for a small percentage of its receipts.

Checks and warrants paid by national bank depositaries will be forwarded the same day to the Treasurer at Washington, who will thus be enabled to keep the paying bank in funds, and also to check up immediately the accounts of disbursing officers and to ascertain the exact financial standing of the government at all times.

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WASHINGTON NOTES

FIRST EXPERIENCE WITH THE PARCEL POST

Pursuant to the provisions of the act of Congress, already reviewed in these pages, creating a parcel post system, the Post-Office Department inaugurated on January 1 the transportation of parcels by mail throughout the United States. As previously explained, the new system is based upon the so-called "zone plan," the country being marked off in circular areas of which the boundaries bear a fixed relation in distance from any given point taken as a center. The rates of charge for transportation vary according to the distances from this common center and according to the weight of parcels. This double variation gives rise to an infinite variety of detail in the possibilities of competition between different points. The result is to create a highly complex method of shipping the merchandise presented to the post-office. In order to facilitate the work no fewer than 3,620 kinds of parcel post maps have already been issued by the government for use in computing rates from different points in the different zones. Although it is still too early to estimate the success of the system even tentatively, two important results have already been demonstrated: (1) the express companies are likely to suffer very heavily through the transfer of business to the government, in demonstration of which fact a sharp break in the quoted prices of express company stocks occurred simultaneously with the inauguration of the new system; (2) a new and very much more costly

plan of compensating the railroads for the carriage of the mail will have to be adopted. The railroads' point of view with regard to this matter has already been made plain by them in a demand for higher pay based on a new system which they have filed with the government. That the forces now at work would lead to the ultimate taking-over of the express companies by the government, the termination of their profitable contracts with the railroads, and the substitution of an entirely new method of railroad mail pay on the part of the government is already predicted by many competent authorities who are familiar with the general elements of the problem. Meanwhile the express companies assert a determination to keep up the struggle for existence. The general outlook has proved so threatening as well as so complex that the Interstate Commerce Commission, which had planned a new system of express company rates, has suspended it, and is awaiting further information before attempting to order a definite change.

PROGRESS TOWARD BANKING REFORM

Actual work in shaping a banking and currency bill has been begun by the House Banking and Currency Subcommittee, under the chairmanship of Representative Corker Glass of Virginia. Hearings were opened on January 7, and several bankers and well-known experts have already given their testimony. Representatives of one or two important national commercial organizations have also been heard. The argument thus far has had several important results. It has shown that considerable progress in discussion of banking theory has been made since the Aldrich Monetary Commission bill was put forward a year ago. There is far less disposition to insist upon the absolute necessity of a single central reserve association holding the banking funds of the country and serving as a resort in time of trouble; and in many particulars changes of an evidently desirable character have been suggested, as alterations in crucial sections of the Monetary Commission measure. Further, the attitude of the bankers who have appeared has been such as to show that any good bill that will meet the requirements of the situation and will relieve the difficulties of the banking community today will be generally acceptable. This is directly contrary to what had been expected, for it was generally believed that the Monetary Commission bill, and that only, would be favorably regarded. An important innovation, which now seems certain to be introduced into any bill that may be reported, is a plan to reconstruct the reserve system by taking away the present permission to deposit national bank reserve funds in reserve and central reserve cities. The new plan, now evidently

regarded with favor, would transfer these reserves solely to the reserve city banks, thereby radically altering the present distribution of national bank funds. With this, it would appear, is a clearly developed plan to provide for banking reform by the chartering of a number of institutions organized in districts throughout the country rather than by the creation of a single large reserve bank. The several institutions would of course be obliged to submit to the control of a central board, organized under government auspices and empowered to compel harmonious management of the country's banking reserve.

THE TARIFF HEARINGS

Hearings before the Ways and Means Committee regarding the tariff are demonstrating that very little guidance in altering the proposed rates is to be expected from this method of securing evidence. It has already been semi-officially announced that no material change is probable in the chemical and metal schedules previously worked out by the committee and adopted by the House at the last session of Congress. The hearings, in this view of the case, are little more than a means of giving publicity to the ideas of the witnesses for protected interests. If the present indications, therefore, hold good, practically all the schedules passed upon by the committee in the past will be renewed. This would cover the chemical, steel and metals, wool and woolens, cotton, and free-list bills, which will on that supposition form the basis for the new measure. The chief remaining duties to be dealt with would then be those relating to earthenware and glass, silks, tobacco and liquors, hemp, linen and kindred fibers, lumber, sugar, and sundries. The decision already apparently reached, to retain the old tariff bills as the basis of the new measure also, has another important bearing, in that it fixes to an extent the level of duties throughout the revision. This means that the general average reduction will necessarily be similar to that indicated in the bills thus far reported. The previously proposed cut was in the woolen duties about 40 per cent of their original amount, in cotton duties slightly less, in the duties on metals about $33\frac{1}{3}$ per cent. The reduction on chemicals was smaller but rates on chemicals were already relatively much lower than those prevailing in the other schedules. It would seem, therefore, that a very substantial measure of reduction in duties is already assured and that the revision that leaves the House will be a material approach toward a revenue tariff. The real issue is thus shifted to the Senate, and in that body the bulk of the work of revision will have to be done. What this means is fully recognized by Democratic leaders, who are already making strong efforts to secure

such a reorganization of the Senate committees, particularly of the Finance Committee, as to insure the predominance of the so-called liberal or progressive element of the party. The outcome of this effort will largely determine the character of the tariff bill to be shaped in the Senate and will thus exert a very positive effect upon the ultimate form assumed by the measure.

COFFEE VALORIZATION AND THE SHERMAN LAW

A peculiar outcome of the suit against the so-called coffee trust, upon which Attorney-General Wickersham has been working for some time past, is seen in the practical conclusion of negotiations with Brazil wherein it is agreed that the 920,000 bags of "valorized" coffee held idle in New York City as a result of the government suit shall be placed on the market and sold. The general scope of the so-called coffee valorization enterprise of the Brazilian government is sufficiently well known and needs no detailed description. It is enough to say that the result of the operation has been to multiply the price of the coffee several times within the past few years. Early last spring, Attorney-General Wickersham resolved to prosecute the so-called coffee trust, but found himself embarrassed by the fact that the prime mover in the enterprise was a foreign government. He, therefore, attempted under the Sherman law to seize the coffee then stored in New York and subject to the valorization plan, amounting in the aggregate to 920,000 bags. This seizure was not successfully carried out, but an agreement was reached (and sanctioned by the courts) whereby it was understood that the coffee in question would be held idle and neither sold nor exported pending the settlement of the dispute. It is not strange that further investigation of the scope of the Sherman anti-trust law has convinced Mr. Wickersham that there is little to be expected from a further prosecution of this suit —hence the negotiations for effecting the sales of the coffee in the open market, on condition that the proceedings heretofore instituted by the government shall be discontinued.

One phase of the situation deserves special attention. This is the announced determination of the Department of Justice to secure if possible the passage of the so-called Norris bill which would give the department power at its pleasure to seize coffee which might be "illegally" imported into the United States under conditions held to defy existing law. It has not been supposed, heretofore, that the Norris bill had much chance of passage, owing to the extreme character of the weapon it would place in the hands of the Department of Justice and the abuse of that weapon that might occur under an unscrupulous admin-

istration. The definite announcement by the department that further proceedings under the suit filed in the spring of 1912 had proved impossible might, however, have a sufficient influence to induce Congress to remodel the Sherman law in this particular. Until the time that it may do so, the experience of the Department of Justice with the foreign coffee monopoly constitutes a rounded incident in itself, and illustrates one of the distinct limitations of the Sherman anti-trust law. It also adds another extremely interesting chapter to the already checkered history of valorization.

THE PATTEN COTTON CORNER DECISION

A new extension of the provisions of the Sherman anti-trust law has been insured by the decision of the United States Supreme Court in the so-called Patten cotton corner case, handed down January 6, 1913. In this decision, the court holds in substance that the operations involved in "running a corner" constitute a criminal violation of the Sherman anti-trust act. In delivering the opinion of the court, Justice Vandevanter says:

> It was a conspiracy to run a corner in the market. The commodity to be cornered was cotton, a product of the southern states, largely used and consumed in the northern states. It was a subject of interstate trade. The corner was to be conducted on the Cotton Exchange in New York City, but by means which would enable the conspirators to obtain control of the available supply and to enhance the price to all buyers in every market of the country. Bearing in mind that such was the nature, object, and scope of the conspiracy, we regard it altogether plain that by its necessary operation it would directly and materially impede and burden the due course of trade and commerce among the states, and therefore inflict upon the public the injuries which the anti-trust act is designed to prevent.

This decision practically implies that it makes no difference whether a specific intent to restrain interstate trade exists or not, as the persons engaged in a conspiracy to that end "must be held to have intended the necessary and direct consequences of their acts, and cannot be heard to say to the contrary," as the court expresses it. It gives a new extension to the Sherman act in that it now makes that measure applicable to individual acts designed to bring about monopoly control of commodities passing in interstate trade, such as articles of clothing and food, whether or not the individual thus obtaining the "corner" has himself directly engaged in the interstate shipment of such articles, and whether or not he is a producer of the articles in question. One interesting phase of the decision in this case clearly is that it would necessarily imply power on the part of the government to attack those who

have been engaged in bringing about corners in copper, coffee, and other articles that have recently been subject to speculation of a similar kind.

THE UNION PACIFIC READJUSTMENT

Further interesting sidelight is thrown upon the meaning of the Sherman act by the federal Supreme Court decision (January 6, 1913) refusing to permit the consummation of the plan proposed by Union Pacific Railway authorities for compliance with the terms of the so-called "Union Pacific decision" (reviewed in the "Washington Notes" of the *Journal of Political Economy* for January, 1913). The purport of that decision is familiar: it sought to break up the unity of control between the Union and Southern Pacific lines upon the ground that such control created a monopoly. While this monopoly did not necessarily affect rates, as was admitted, the rates being now under governmental control, it did tend, according to the court, to weaken competition in the furnishing of service and accommodations and so violated the intent of the anti-trust law. Pursuant to the decision, a plan was devised by Union Pacific authorities under which the Southern Pacific shares held by the road would have been distributed pro rata to the stockholders of the Union Pacific. This proposal was at once rejected by the Attorney-General, and as a result the so-called compromise was brought before the Supreme Court with the adverse result already mentioned. The court's ground of criticism is found in the statement that the proposed distribution would not be a compliance in good faith with the terms of the law. Other plans of accommodation are now in process of development, but the significance of the court's action is not confined to this particular case. The evident outcome of the situation, as clearly indicated by the announcements already made, will be the development of two through routes to the Pacific coast. The Central Pacific will be taken over so as to give the Union Pacific a through line; and the shares in the Southern Pacific, heretofore held by the Union Pacific, will be distributed. There will be a readjustment of the present finances of the Union Pacific and Southern Pacific to the extent that is rendered necessary by the transfer of the shares in Southern Pacific. Announcement was made, on January 14, that a change in the directorate of the two roads had been effected, whereby the question of "interlocking directorates," which had proved troublesome to the government authorities, would be satisfactorily settled. This settlement involved the resignation of a number of directors in each board and the substitution of others, the changes being made in such a manner as to bring about harmony of action in spite of the changes in personnel.